



highlights

→ Freed up 20,000 hours of leadership time

→ Reduced time spent on the budget by 75%

→ Saved \$1M on overall budgeting efforts

To learn more about how to impact financial planning at your organization, visit our website at www.stratadecision.com.

impact story

Switch to Dynamic Planning Reduces Annual Budget Cycle by 75%

problem

Intensive Planning Cycle & Outdated Budgets

For many health systems, the annual budgeting cycle spans over six months and requires thousands of hours from leadership, yet produces a budget that is outdated within months. Then, throughout the fiscal year, even with a strong flex-budget, leaders continue to have to explain why performance is not tracking to budget. With a continuously shifting environment, not to mention the need for cost reduction, a traditional budget process and of focus on budget variance is too labor intensive and provides too little business value.

A large multi-hospital health system in the Midwest experienced just this. The system spent at least 8-10 weeks every year in their annual budget cycle. Each year, the process was stressful and time-consuming. They sought to produce a balanced budget that would project performance accurately for the next fiscal year. However, despite the thousands of hours, the budget was typically out of date within the first quarter. Managers continued to spend time explaining why they were not hitting budget rather than making course corrections to adjust to changing market dynamics.

play

Adopt a Rolling Forecast (SP 105)

This forward-thinking health system partnered with Strata Decision Technology to design and implement a Dynamic Planning approach using StrataJazz®. This approach involved 1) replacing the line-item budget with a baseline forecast at the entity level that aligns with the service-line-focused Long Range Financial Plan, 2) a quarterly forecast based on actual performance and

shifting assumptions, and 3) a monthly or quarterly re-forecast during which leaders evaluate the trajectory of their business unit and identify course corrections.

Simultaneously, the organization employed Strata's Management Reporting tool in which managers review their area's performance on well-defined KPIs that are generally within their control. Paired with a rigorous monthly accountability process, managers began focusing on how to improve financial and operational performance, not just to track their budget.

Moreover, by having a consistent source of truth and well-defined metrics for performance management, managers spent considerably less time preparing for reviews. Leadership received more relevant and actionable information during the reviews. Tracking following up items heightened accountability.

impact

Freed Up Over 20,000 Hours of Leaders' Time

Through this Dynamic Planning approach, the organization decreased its planning cycle by six weeks, from eight weeks to two. Leaders throughout the organization were given thousands of hours back, the equivalent of \$1M or 10 full-time employees. These leaders repurposed their time to focus on improving operations and continuing to drive efficiency and cost improvement.